

## 2.3 TIF Maintenance

After a TID is created, municipal officials are responsible to maintain the TID. They must keep the TID in good standing with both the state and the other local governments that partnered to create the TID. The Department of Revenue must annually receive the Tax Increment Certification, the Statement of Assessment and the Assessor's Final Report. Without these forms the DOR cannot determine current value, or certify a tax increment for the TID. The Tax Increment Certification also provides notice to DOR of amendments, allocations and audits that have been completed. Another annual responsibility is the TID Annual Report. Each TID must be reported separately to the overlying taxing jurisdictions. Finally, there are three periodic audits required for every TID. These audits must be completed in a timely manner, or future TIDs may be denied. All of these responsibilities are described in detail below.

**Please note:** It is *very* important that these forms are sent to the correct place. The Tax Increment Certification is sent to the DOR Central Office (PO Box 8971); the Statement of Assessment and the Assessor's Final Report are sent to the DOR District Office.

### Annual Filing with DOR

The [Assessor's Final Report](#) identifies the current assessed value for each class of property within the TID. The assessor must file one form for each TID in the municipality. The form provides detailed instructions on how to complete the required information. This form is available from DOR on the web, but the Work Sheet Supplement that goes with it is available only in paper form from the Supervisor of Equalization. This form is due by the second Monday in June to the Supervisor of Equalization. Failure to submit this form will result in that year's value increment – and the associated tax increment – being lost. Even if final values are not available, this filing deadline *must be met*. If final data is not available the best estimate should be sent and marked "ESTIMATE".

The [Statement of Assessment](#) identifies the total current year value of all real and personal property in the TID. The Statement of Assessment is available from DOR on the web, but gets returned to the Supervisor of Equalization in the local DOR District Office. This form is due as soon as possible after the Board of Review has met.

The Tax Increment Certification Form (PE-209) is sent by the Department of Revenue to each municipal clerk that operates a TID. Based on the information submitted in this form, the department will know if they should certify an increment for the TID. The municipal clerk also reports on this form if any amendments have been adopted for the TID, or if any required audits have been conducted. The form's three sections are detailed below.

### Section 1 – Certification of Continued TID Value Increment

The Department of Revenue will not certify a value increment for a TID unless requested to do so by the municipal clerk on the PE-209. In every year except the final year of the TID's life, the PE-209 will be returned with the bottom most box checked in Section 1.

This instructs the DOR to certify a value increment; the value increment generates a tax increment that funds the projects for the TID. In the final year of the TID's life, the clerk will check the upper-most box in Section 1, and then check the box to indicate the reason for the TID's termination. Either the TID has reached its maximum allowed life, or the TID has generated tax increments in excess of the total project costs. In either case the TID must be terminated by resolution. The clerk must check the box that indicates the appropriate reason for the termination, and return a copy of the termination resolution with the PE-209.

The text at the top of the box explains that the date of notification determines the effective date of the termination. If the DOR is notified before May 15 of any year, the effective date of termination is the date notification is received. If the notification is received after May 15, the effective date is the following January 1.

### Section 2 – Project Plan Amendment Notice

The DOR also needs to know if any amendments of any kind have been adopted in the past year. If no amendment has been adopted, check the top box in Section 2. If an amendment has passed, write the date of adoption in the box and indicate what type of amendment has been passed. If an allocation amendment has caused the transfer of money from one district to another, indicate the amount of the transfer and the source/destination of the funds.

### Section 3 – Certification of TID Annual Reports and CPA Audit

The top half of this section concerns the annual report for the TID. Each year when the municipal clerk fills out the Tax Increment Certification Form they have to acknowledge that they have (or have not) sent a copy of the TID Annual Report to each of the overlying taxing jurisdictions by May 1. If the current year is one in which an audit is required, you may send the annual report after the audit is completed. If the municipality is waiting until after a CPA audit is completed to send the report, please indicate this in the margin. Annual reports are only sent to the county, school, technical college and special districts. These reports should also be made available to interested members of the public. More information on the annual report is available below.

The bottom half of this section deals with the three CPA Audits required for each TID. The timing of the audits is triggered by the expenditure of project costs. Each audit is due within 12 months of the following:

1. 30% of the project costs being spent,
2. the last project expenditure, and
3. the termination of the TID.

If an audit is required, based on the criteria listed here, you may submit it along with the Annual Report to the overlying taxing jurisdictions. Do *not* send a copy to the DOR. Beginning in 2004, failure to complete the required termination audit may result in DOR refusing to certify the base value of a new TID. This is the only audit that DOR gets a copy of, and it is submitted online. More information on these audits can be found below.

## Annual Reports

The annual report is the duty of every municipality that has a TID. One report must be done for each TID; like the accounting, the TIDs must each be reported individually. The municipality is required by statute [s. 66.1105 (6m)(c)] to "prepare and make available to the public updated annual reports", and to send the report to each overlying taxing jurisdiction before May 1 annually. For this reason some people call this the "May 1 Report". Every school district, technical college district, county and special district that has taxing power over property in the TID must receive a copy of the report. If a school district and a separate union high school district both serve the area where the TID is located, they should each receive their own copy of the annual report.

Wis. stat. 66.1105(6)(c) states that the report should describe "the status of each existing [TID], including expenditures and revenues." No standard format is required for this report, but [Sample Annual Reports](#) are available on the DOR website. The samples provide some guidance as to the format and level of detail that should be included in the reports. The sample also includes the notes that should accompany the financial statements. If the data for this report is coming from a municipality's comprehensive annual report, the same level of detail laid out in the sample should be present with the notes in the Annual Report.

**Please note:** The "May 1 Report" should *NOT* be sent to the DOR. This report must only be sent to each of the overlying taxing jurisdictions that levies taxes on the property in the TID. Each district should receive its own report.

## Periodic Audits

As mentioned above, these periodic CPA audits are required by law. They may be conducted as a part of the annual audit for the city, if such an annual audit is conducted already. In this case, the municipality should still extract the appropriate information from the municipal audit and compile the TIF audit information matching the format of the [Sample Audit Report](#) available on the DOR website. The costs associated with having these audits done is an eligible TIF project cost that can be paid for with tax increments from the TID, so planning for them as part of the original project plan is advisable.

**Please note:** Only the final audit should be sent to DOR! Copies of all audits and annual reports should be sent to the overlying taxing jurisdictions, but please do not send the first or second audit, or any annual reports, to DOR.

The TIF statutes require these audits to "determine if all financial transactions are made in a legal and proper manner and to determine if the tax incremental district is complying with its project plan and with [TIF Law]." The sample audits available on the DOR website show an example of how to format the audits, and provide guidance as to what content the DOR wants in these audits. The same format should be used for all three audits, and the information contained therein should be current as of the year the audit is conducted.

The three "trigger events" that make an audit necessary are specified above and detailed here.

- The first audit must be conducted in the year after which the first 30% of the project expenditures are made. If 30% or more of the project costs are scheduled to be spent in the first year, then this audit will have to be conducted after the first year. If projects are spread over several years, then the first audit will not be conducted until after the year in which 30% of the expenditures have been made. For example, in a TID that has \$1 million in total project costs, an audit must be conducted after the year in which spending hits \$300,000, regardless of how much is spent in that year alone, or how long the district has been in existence.
- The second audit is required once 100% of planned expenditures have been made. If more projects are added as part of an approved project plan amendment after this audit is complete, the audit must be repeated. This audit should address the revenues and expenditures from the year of creation through the year the audit is conducted. The TID account will likely be in debt at this point because the tax increment revenue collected should be less than the total project expenditures for the TID. If increment revenue is equal to or in excess of total project costs the TID must be terminated.
- The final audit is to be conducted at the end of the TID life. After the TID is terminated, for either of the two reasons described above, a close out audit must be conducted. This audit will look just like the previous two audits, but it will account for all the revenue and expenditure for the entire life of the district, including any excess increment that was collected and returned to the overlying taxing jurisdictions. This audit is submitted to DOR through an electronic form. More information about the process of terminating a TID is available in section 2.4